BALTIMORE CITY HERITAGE AREA

Technical Memo 6: Market Insights

May 31, 2006

Baltimore has long understood the importance of investing in both tourism development and community character, relying on a cadre of professionally staffed organizations charged with these critical missions. Over the years, the Baltimore Area Convention and Visitors Association (BACVA), the Baltimore Development Corporation, the Downtown Partnership, the Baltimore Office of Promotion and the Arts, the Economic Alliance of Greater Baltimore, the Greater Baltimore Committee, and other non-profit, quasi-public, private and government organizations have woven together a network capable of addressing a wide array of opportunities and challenges confronting the city and its economy. Fortunately, Baltimore City Heritage Area already enjoys the respect of these organizations and others; it has earned its seat at the table and is considered part of a loose affiliation of competent organizations that get things done.

For Baltimore City Heritage Area, weaving its activities into this fabric means both supporting the existing place-making and place-marketing system and helping those who manage the city's heritage attractions offer quality experiences. While much is known about the markets these organizations serve, less is understood about the services they need to incorporate a heritage development perspective into their work so they can deliver economic benefits to Baltimore residents and businesses.

Baltimore's Visitor Appeal

Baltimore features a broad array of things to see and do which appeal to:

- An assortment of diverse leisure market sectors who hope a trip to Baltimore will satisfy a particular interest, whether it is topical or experiential. Some of these sectors self-define, which makes them easier to identify, target and capture, while others are more elusive. For the self-defined, who announce their interests through such actions as affiliating with affinity groups and reading specialty publications, appeals can be made by listing features that convince them the city will meet their needs.
- People with fluid preferences for whom quality trumps attention to a specific special interest when investing leisure time. These people include the culturally curious, fans of city life and neighborhood/ethnic character, foodies, and omnivorous experience-seekers. For these people, the intersection of quality and focus area represents the ideal for satisfying visitor experiences; therefore, listing features will not appeal to them, but discussions of high quality and distinctive experiences in Baltimore will.
- Meetings and event planners (from those organizing a family reunion to those selecting sites for major conventions) seeking an attractive balance between facility needs, appeal to prospective attendees (access, history, entertainment, etc.), and cost control such that "value" is achieved.

At the same time, Baltimore faces several critical challenges as a destination, including macro-economic issues beyond its control like rising energy prices and wobbly consumer confidence. Closer to home, the supply of hotel rooms remains tight, which drives up costs, reduces packaging opportunities and reduces the travel web sites' interest in promoting Baltimore getaways. Competitors offering experiences perceived as similar (e.g., Boston, Charleston, and Philadelphia) and/or competing meetings space (Atlanta and Charlotte) cut into volume, too. Many of these competitors wield substantially larger promotion budgets than do their Baltimore

counterpart(s), which takes on added significance given that many of Baltimore's logical target audiences reside in expensive media markets where advertising dollars do not go very far and marketing messages must stand out to be noticed.

To ensure its ongoing competitiveness, BACVA is investing in extensive visitor research to inform strategic approaches to business and leisure traveler market opportunities. This research enables BACVA to hone in on weak calendar spots (e.g., winter weekends) and market segments grown soft, deemed fresh opportunities or offering especially attractive prospects (well-heeled history buffs, for example). The research addresses both decision-making and in-country aspects of visitor behavior.

BACVA is identifying approaches to core markets that hold opportunities for the one of BCHA's key constituencies: the institutions that preserve and enhance the city's heritage and cultural assets and make it available for public enjoyment. For example, BACVA is launching special initiatives devoted to African-American travelers, short-haul markets, regional residents, and visitors who stay with friends and family nearby.

BACVA's decision to conduct a brand assessment/audit, revise its positioning statement, and introduce a new logo identity (and then refreshing its collateral materials, web site, etc.) resulted in the recently unveiled "Get in on it!" campaign. This initiative reflects BACVA's conviction that the area's diverse assets can be positioned as a truthful entreaty to the prospective visitor, asking them to take action by planning a trip to Baltimore (or at least elevating its position on the list of desirable destinations) while honoring the promise of an exciting, fun experience in an easily navigated city. For BCHA, the new tagline and accompanying marketing messages will also work to help engage the region's residents in what their central city offers.

Recent Research Findings

D.K. Shifflet and Associates (DKSA) conducts visitor research on behalf of the Baltimore Area Convention and Visitors Association (BACVA). DKSA has completed two separate research initiatives at BACVA's behest during the past two years. The first, entitled *2003/2004 Visitor Profile*, is part of a series of regularly updated research studies. The second, entitled, *Baltimore ValuesPlus™ Final Results*, *2004*, is a focused product commissioned by BACVA to evaluate Baltimore's positioning and market competitiveness.

Key findings from this recent research include:

- Baltimore's leisure tourism market is heavily dependent on through-travelers, daytrippers and parties visiting friends and relatives (VFRs).
- Baltimore is particularly attractive to visitors coming for special events and sporting events.
- The overall impact of tourist activity has been flat since 1999. However, there was a dip following 9/11, and the market has begun to recover.
- Much of the recent growth in visitation has been from daytrip visitors.
- Baltimore is a regional tourism destination, not a national one.
- The city's supply of hotel rooms is fairly small, and many visitors complain of not being able to find available accommodations that meet their needs or of not getting good values on hotel rooms.
- Baltimore is not a leading destination for travelers aged 55 or older, but it is picking up some market share from this age group.
- Visitors to Baltimore tend to be fairly affluent.

- Many visitors to Baltimore don't stay long—most are daytrippers or only stay one night.
- Half of all visitors to Baltimore hail from just five metro areas: Washington, New York, Philadelphia, Raleigh-Durham, and Pittsburgh.
- Historic and cultural sites are more common destinations for Baltimore visitors than for visitors to other U.S. destinations, but visitor satisfaction with such sites is below average.

Detailed findings from the D.K. Shifflet (DKSA) 2003/2004 Visitor Profile reveal that:

- DKSA identifies Baltimore's visitor focus as the Overnight Leisure market. Nationally, this market represents 34% of parties, but 64% of person-days and, most importantly, 58% of visitor spending.
- Total number of Overnight Leisure parties was stagnant from 2003-2004 in the Baltimore region, but person days increased by five percent and spending was up nine percent.
- Baltimore's visitation is more diverse than the nation as a whole—Business and Daytrip visitors have larger shares in Baltimore than for the U.S.
- Profile of Overnight Leisure visitors:
 - The dominant age groups are 18-34 and 35-54. Each accounts for 40% of visitation.
 - Visitors over 55 are gaining market share while the 18-34 age group is lagging.
 - 44% are visiting friends and relatives (VFRs), and 23% come for special events—a higher share than for most large U.S. cities. Although VFRs spend less per trip than average visitors, special event visitors spend more.
 - The repeat visitation rate trails DC but is comparable to NYC, Boston, and Philadelphia.
 - 37% are adults traveling alone, 33% are couples, and just 21% are families.
 - Adults traveling alone spend far less than other visitor types.
 - 43% only stay one night.
 - Average spending is \$107 per person day.
 - 74% arrive by automobile—competitive cities average 61%.
 - Only 47% stay in paid accommodations: 46% stay in private homes.
- The visitor base is mostly regional, from the Carolinas to NYC.
 - Baltimore is gaining market share from DC, Pittsburgh, Philadelphia, and Raleigh-Durham but losing share from New York.
 - A very high share of visitors comes from within 100 miles.
- Overall visitor satisfaction ratings are strong and still rising, but Baltimore trails other regional cities in terms of satisfaction with hotels.
- Baltimore remains very popular for its sports events and waterfront activities.
- Shopping has declined as a visitor activity in recent years.

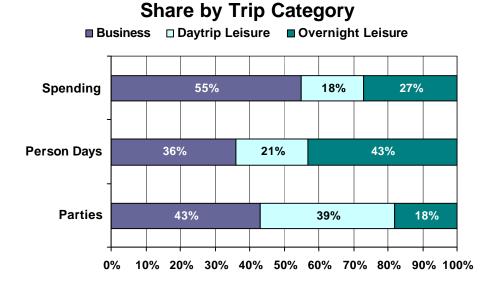
Visitor and Trip Characteristics

Trip Category

 Overnight leisure trips have a small share of parties to Baltimore but the largest share of person days. Spending falls in between.

Overnight Leisure trips account for:

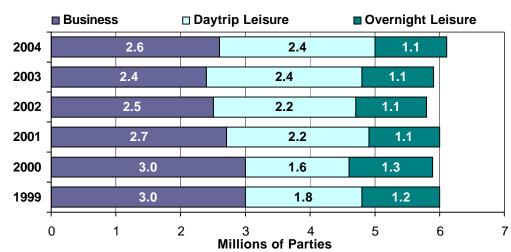
- 18% of parties
- 43% of person-days
- 27% of visitor spending
- Daytrip leisure accounts for only 18% of spending despite representing 39% of parties.
- Business accounts for more than half (55%) of spending despite only representing 36% of person days.



Travel Party Trends

- 6.01 million travel parties visited Baltimore in 2004, but the total number of travel parties has remained flat since 1999.
- Leisure has gained share while business has lost some.
- Daytrip share has grown from 56% to 63%.
- Day leisure parties have increased 33%; Overnight Leisure has not increased.
- All leisure trips dropped after 9/11—daytrips have rebounded, and overnight trips have not.

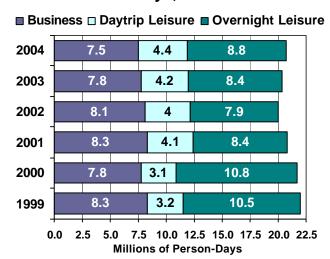
Travel Parties, 1999-2004



Person-Days Trends

- Total of 20.6 million person days in 2004 is down from 22.0 million in 1999 but up from 2002 total of 19.9 million.
- Daytrip leisure days increased 38% while business days fell 10% and overnight leisure days dropped 16%.
- Since post-9/11 period, daytrip days have been flat but overnight days have increased slightly.

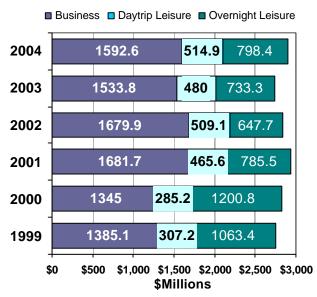
Person-Days, 1999-2004



Direct Spending Trends

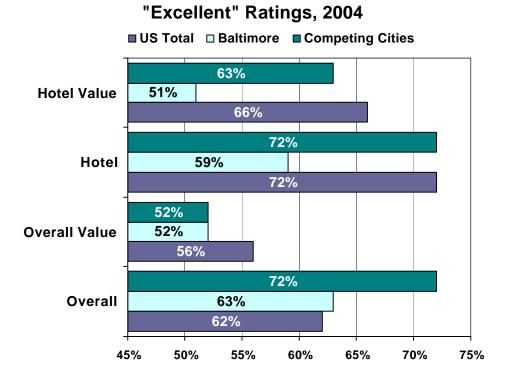
- Total direct spending dropped after 9/11 but recovered in 2004. Overall spending grew 5% from 1999-2004.
- Overnight leisure spending fell 25% overall from 1999-2004 but has begun to recover since falling 46% between 2000 and 2002.
- Daytrip spending increased 68% from 1999-2004. Most of the increase occurred between 2000 and 2002, but it has held its position.
- Business spending fell off a bit from 2002-2004 but increased 15% overall from 1999-2004.

Direct Spending, 1999-2004



Satisfaction of Visitors

- Competitive set of cities: Boston, New York, Philadelphia, Pittsburgh, and Washington.
- Overall satisfaction with Baltimore trailed national average significantly, but was on par with competitive cities.
- Overall value for Baltimore rated even with competitive cities and fairly close to U.S. total.
- Hotel satisfaction and value ratings for Baltimore were significantly lower than for competitive cities and U.S. as a whole.



Age of Visitors

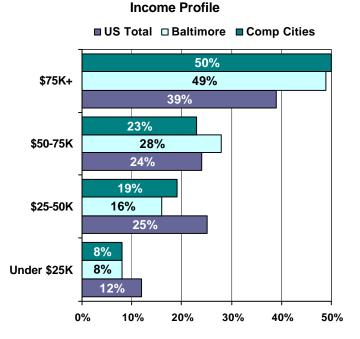
- Dominant age groups: 18-34 and 35-54. Each accounts for 40% of visitation.
- Visitors over 55 are gaining market share, but 18-34 is lagging.
- Two-thirds of 18-34 visitors do not have children; conversely, more 35-54 visitors have kids than do not.
- Spending tracks with age—younger visitors spend substantially less per trip than do older visitors.
- For 18-34 age brackets, travel parties with children spend considerably more (\$932 per trip) than those without children (\$560).

Spending per Trip by Age Group



Household Income

- About half of travel parties to Baltimore have household income levels of \$75,000 or more—this tracks evenly with its competitors and is far ahead the average for U.S. travelers.
- Baltimore has a higher share of moderate-income households (\$50-75K) than do its competitors and the U.S. as a whole.
- Baltimore has smaller shares of lowincome households than its competitors and the U.S. total.

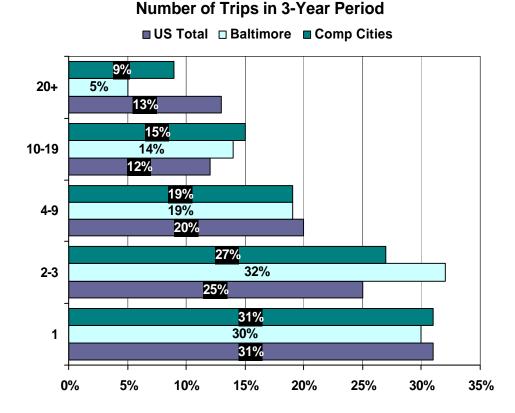


Frequency of Visitation

 Baltimore draws smaller shares of multiple repeat visitors than do its competitors and all U.S. locations. Just 5% of visitors took 20 or more trips to Baltimore from 2002-2004 compared with 9% for

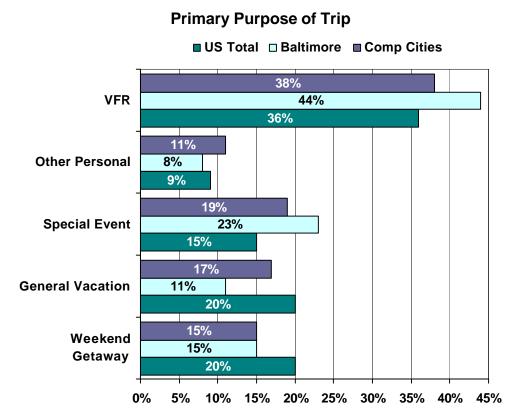
competitive cities and 13% for all U.S. destinations.

- Baltimore had a larger share of visitors taking 2-3 trips within three years, suggesting that it is a regular annual destination for many visitors.
- Baltimore compares well with other destinations in terms of the share of visitors coming between 4-19 times per year—34% of visitors to Baltimore visited that often.



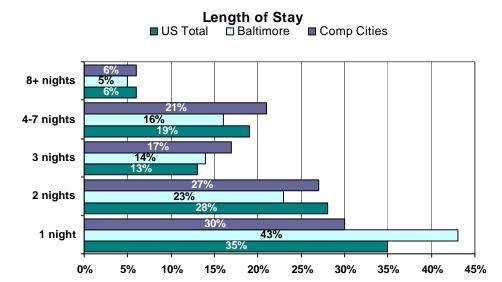
Purpose of Trip

- 44% of visitors to Baltimore come to visit friends and relatives (VFR), a considerably higher share than for other destinations.
- 23% come for special events, again representing a much higher share than other destinations.
- Baltimore trails its competitor cities and the U.S. as a whole on being a general vacation destination—just 11% of Baltimore visitors came for that purpose.
- Baltimore is even with competitive cities as a getaway weekend destination but trails the U.S. average.



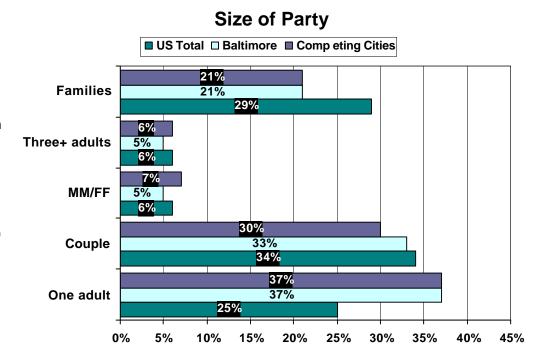
Length of Stay

- 43% of overnight visitors to Baltimore only stay for one night, compared with 30% for competitive locations.
- Baltimore does manage a roughly equal share of visitors staying 8 or more nights, however—5% compared to 6% for competitive locations.
- The overall average length of stay in Baltimore is 2.63 nights, well below the competitive cities' average of 3.12 and the national average of 2.99 nights.



Travel Party Makeup

- The average size of travel parties to Baltimore in 2004 was 2.1 persons, the same as its competitive cities but smaller than the national average of 2.4.
- Party type for Baltimore tracks closely with its competitors, but Baltimore gets far more one-adult parties and far fewer families than the U.S. as a whole.
- Baltimore gets a smaller share of parties of two of the same sex (5%) than do its competitive cities (7%).
- Three+ adult parties spend far more than do any other type of party, including families.

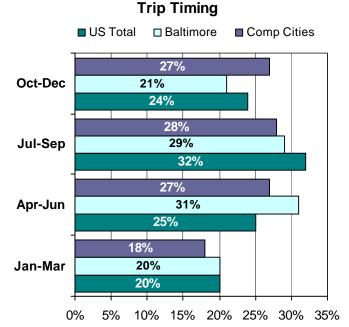


Activity Profile

- Top five activities among visitors to Baltimore (national averages in parentheses)
 - 1. Dining: 40% (31%)
 - 2. Sightseeing: 30% (29%)
 - 3. Entertainment: 30% (24%)
 - 4. Shopping: 21% (26%)
 - 5. Watching Sports: 13% (5%)
- Baltimore activities with Activity Index over 100 (Baltimore travelers are more likely to do than all U.S. travelers):
 - Watching Sports: 250
 Museum, Art Exhibit: 238
 Visit Historia Site: 156
 - Visit Historic Site: 156Dining: 129
 - Entertainment: 125
 - Sightseeing: 104

Time of Year

- 60% of trips to Baltimore occur between April and September, but trip to the area are less concentrated in those months than are trips to other destinations.
- May (13%), June (12%), August (11%) and July (10%) are the leading months for visitation. December (9%) is fifth most active month, which is mostly due to family-related holiday travel
- Summer visitors (Jul-Sep) spend the most per visit (\$844 per party). Winter visitors (Jan-Mar) spend the least (\$663).



Visitor Origin

■ Top 5 visitor origin markets for Baltimore (no other represents more than 3%):

New York: 15.3%
 Washington: 14.7%
 Philadelphia: 9.3%
 Raleigh-Durham: 5.5%

5. Pittsburgh: 5.3%

- The top 5 account for 50.1% of all visitation; there is very heavy dependence on these markets.
- Baltimore captures the greatest share of the Washington market and a very small share of the New York market.
- 78% of all visitors come from Mid-Atlantic and South Atlantic regions (New York to Florida).

Baltimore and its Competitive Set

Insights unearthed as part of the Baltimore *ValuePlus*TM research effort, completed by DKSA in 2004, support the data above. The *ValuePlus*TM work examined how Baltimore stacks up against three competitive cities: Washington, Philadelphia and New York.

- Baltimore visitors are less likely to want to return than are visitors to competitive cities.
 - Just 69% of Baltimore visitors answered that they were likely to return, compared with 81% of other cities.
 - Washington also rated at 69%, but New York rated at 86%
- Far fewer visitors to Baltimore (56%) would recommend a visit to others than visitors to the competing cities (73%). Baltimore compares closely with Philadelphia (55%) and is furthest behind New York (86%).

- Impressions of previous visits have a strong effect on likelihood to recommend a visit to others:
 - 74% of non-VFR visitors rating their visits "high quality" would recommend Baltimore to a friend, but just 45% of those rating their visits "low quality" would do so.
 - Effect is strong but less pronounced on intent to return. 81% of non-VFRs rating their visits "high quality" are likely to return compared with 65% of those rating it "low quality."
- A poor hotel experience is a strong deterrent to return visitation:
 - 42% of people who were dissatisfied with the quality of their hotels will not return to Baltimore at all.
 - 45% of those dissatisfied with hotel value will not return to the city.
- DKSA estimates that a 1% increase in Baltimore's overall quality ratings would produce an additional \$13.3 million in visitor spending per year due to more repeat visitation and better word-of-mouth.
- Baltimore rates much higher on quality (67%) than on value (44%). Visitors are particularly dissatisfied with the availability of desired accommodations and the relative cost of rooms in Baltimore.
- Baltimore's cultural/heritage attractions are heavily visited, but visitors are far less satisfied with them (52% said excellent or good) than with similar attractions in the three competitive cities (69%).
- Baltimore rates well above its competitors in regard to having things to do for people of all ages (good/excellent rating of 83% compared to just 52% for competitors) and accessibility (48% for Baltimore, 34% for competitors). Conversely, Baltimore trails the competition on feelings of safety (64% to 70%).
- Baltimore is not a "front of the mind" destination for most prospective visitors. Few people are aware of advertising for it. Most visitors to Baltimore decide to visit relatively close to the date of the trip. 40% plan their trips less than two weeks in advance, and another 29% plan in the 2-4 week range. The share of 69% planning their trips within a month of arriving is far higher than those visiting competitive cities—just 45% of such visitors plan their trips so late.
- The State of Maryland's tourism website and brochures were highly rated by visitors, as were Baltimore's visitor guides. However, visitors were not satisfied with local tourism websites.

Although some of this visitor feedback is tough to swallow, it should be viewed as strong medicine for the region that offers interesting insights into how BCHA can help improve the experience delivery system.

Market for BCHA Services

Visitor disappointment concerning the quality of cultural/heritage experiences, local websites, lack of foreknowledge about Baltimore's offerings, and perceptions of the city's hotel value-to-quality ratio largely underscore known capacity issues within the heritage community. For cultural and heritage attractions, known capacity limitations relate to constraints on resources: revenue, staff expertise, volunteers, and fund-raising platforms. Increasing visitation—from any and all market segments—is a part of the cure, but only one part.

The market for BCHA's services is complex, but it stands in a unique position to offer solutions and assistance vis-à-vis four related issues that encumber Baltimore's ability to maximize its potential as a heritage destination:

- Helping heritage organizations address their capacity deficits and enhance their visitor readiness, e.g., by examining the factors underpinning their ability to attract visitation, addressing needs for capital and operating support, improving staff and board skills, organizing education and training for tourism workers, and more;
- Communicating with (and thereby marketing to) niche and super-regional day-tripper markets that deliver economic benefits to Baltimore and the heritage organizations but may not merit attention on the scale BACVA accomplishes. This role encompasses identifying growing audiences, discovering ways to reach untapped markets, and improving yields through improved research, message coordination, and monitoring progress;
- Spearheading thoughtful product development, from experience-enhancing tools (maps, interpretive guides, wayfinding signage, etc.) to new attraction delivery (Thurgood Marshall School/PS 103 or War of 1812 Bicentennial events, for example) to revenue generation to funding grants programs.
- Implementing ideas both directly and (indirectly) by creating the mechanism to organize action, continue planning, secure sustainable resources, and take a systemic approach to heritage development. In turn, this means:
 - Foster continuous improvement by heritage institutions in terms of number of visitors, financial sustainability, artistic quality, visitor-readiness, and contribution to regional quality of life and economic development;
 - Build partnerships and take a systemic approach to improving the heritage experiences Baltimore offers so they exude quality, demonstrate authenticity, and show respect for diverse audiences:
 - Convey the economic and quality-of-life benefits of heritage institutions and heritage tourism to the region's residents, funders, elected officials, state and federal organizations, and other audiences;
 - Acknowledge that productive collaborations will always be founded on a practical analysis of potential mutual benefits, organizational costs, and strategic overlap of interests for all participants;
 - Tap heritage tourism as a means to enhance the Baltimore region's image locally, regionally, nationally and globally and leverage it as a resource for further growth; and,
 - Secure funding and management resources for implementation that are predictable, equitably allocated, and effectively invested and reinvested.

Moreover, BCHA will need to work hard to perpetuate a sense of excitement and urgency—beyond grant cycle deadlines—to motivate busy organizations to work in concert. Since the

upcoming War of 1812 Bicentennial provides both a significant heritage anniversary and an incontrovertible deadline, it may make sense for BACVA to work with other concerned organizations (e.g., the Maryland Office of Tourism Development's heritage tourism division) on identifying tactics for pointing initiatives towards 2012... and accelerating planned civic improvements to ensure that Baltimore puts its best foot forward during the celebration.

To accomplish these tasks means building an organization capable of withstanding or outlasting changes in leadership within the City of Baltimore as well as the many organizations with which BCHA must maintain productive alliances. Building upon its constituency—by providing onpoint help and avoiding duplication of effort—is key to maintaining BCHA's continued effectiveness and sterling reputation within Baltimore's community of place-makers, place-marketers, and the stewards of its cultural and heritage endowment.